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In Bid to Balance Budget, Ryan Deepens Cuts

By Damian Paletta



Getty Images

In this file photo, Sen. [Paul Ryan](#) smiles during a campaign rally at the Marion County Fairgrounds on Oct. 28, 2012 in Marion, Ohio.

House Budget Committee Chairman **Paul Ryan** (R., Wis.) on Tuesday will propose deeper spending cuts than he's previously endorsed in a bid to balance the budget over 10 years, building on existing party proposals to eliminate the deficit.

In an [op-ed published Monday night in the Wall Street Journal](#), Mr. Ryan provided some new details about his latest proposal, which his panel could vote on this week and could face a vote in the full House of Representatives later this month.

According to the op-ed, he would:

- 1) Cut spending as a share of the economy, or gross domestic product, to 19.1% by 2023. The Congressional Budget Office recently projected that revenue collected by the government would reach 19.1% in 2023 (up from 15.8% in 2012). So to get to the 19.1% figure on spending, Mr. Ryan would likely have to maintain the tax increases put in place as part of the fiscal cliff talks. He says his plan would cut spending by \$4.6 trillion over 10 years. Such low spending levels haven't been reached since 2002 but they aren't unprecedented. Government spending was at or below 19.1% of GDP from 1998 until 2002, but before then it hadn't been that low since 1974. The aging U.S. population has led many economists to argue that such levels would be much more difficult to attain in 10 years. (Spending was 22.8% of GDP in 2012).
- 2) Re-propose an overhaul of the tax code that creates two tax rates – at 10% and 25% (he suggests this might be for corporate taxes but it could include personal income tax as well). Such rates would be much lower than current to tax rates, but he says he would order Congress to begin “closing loopholes and consolidating tax rates” to offset the lower rates. He would likely have to eliminate many tax breaks, including popular ones, in order to ensure that the plan didn't lead to falling revenue levels if he wants to stick to the 19.1% revenue target. He says the House Ways and Means Committee will pass a tax overhaul this year.
- 3) Ensure “debt held by the public will drop to just over half the size of the economy,” Mr. Ryan says in the op-ed. The Congressional Budget Office recently projected that under current tax and spending policy, debt held by the public would reach 77.0% of GDP by 2023, so his plan would lower than figure substantially.
- 4) Starting in 2024, begin a premium-support program for Medicare, which would allow seniors to choose to remain in traditional Medicare or choose other plans. It's unclear how the premium support

package would work, though, or how much it would subsidize.

5) Repeal the 2010 health-care law and restructure Medicaid so that it was a block grant program, with the federal government directing money to states for implementation. It would also block grant the Supplemental Nutrition Assistance Program (food stamps).

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